

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: KARL KLEIN  
DEPUTY ATTORNEY GENERAL**

**DATE: AUGUST 11, 2011**

**SUBJECT: AVISTA'S ANNUAL PCA, CASE NO. AVU-E-11-03**

On July 28, 2011, Avista Corporation dba Avista Utilities filed its annual Power Cost Adjustment (PCA) Application. Avista requests an Order approving an overall reduction in its PCA surcharge of 5.99% with a proposed effective date of October 1, 2011. Application at 4.

### **THE APPLICATION**

Avista's PCA mechanism is used to track changes in revenues and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenues and expenses. The Company's existing PCA methodology and method of recovery were approved in 2007 in Case No. AVU-E-07-01 (Order No. 30361). In that case, the Commission approved a change in the PCA methodology from a trigger and cap mechanism to a single annual PCA rate adjustment filing requirement. The Commission also approved a change in the method of PCA deferral recovery from a uniform percentage basis to a uniform cents per kWh basis.

The proposed 0.072¢/kWh PCA surcharge will replace an existing 0.532¢/kWh surcharge, for a decrease of 0.460¢/kWh (or 5.99%). The proposed surcharge is designed to recover power costs deferred by the Company for the period of July 1, 2010 through June 30, 2011, as well as the unrecovered balance related to the July 1, 2009 through June 30, 2010 deferral period, and interest during the recovery period of October 1, 2011 through September 30, 2012.

When calculating power supply expenses, the Company noted that higher hydro generation decreased power supply expenses during the deferral period. However, the hydro-related decrease was offset by increases associated with the Lancaster plant's fixed-cost, thermal fuel costs at Colstrip and Kettle Falls, and the effect of declining power prices.<sup>1</sup>

The actual percentage decrease will vary by rate schedule as shown below.

<b>Customer Group (Schedule)</b>	<b>Percentage Decrease</b>
Residential (Schedule 1)	-5.19%
General Service (Schedules 11, 12)	-4.49%
Large General Service (Schedules 21, 22 )	-5.73%
Extra Large General Service (Schedule 25)	-8.03%
Clearwater (Schedule 25P)	-8.80%
Pumping Service (Schedules 31, 32)	-5.26%
Street and Area Lights (Schedules 41-49)	-1.88%

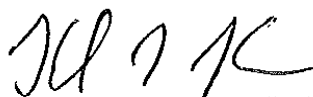
Under the Company's proposal, an average residential customer using 956 kWh per month will experience a decrease in their monthly bill of \$4.40. The Company requests that its Application be processed by Modified Procedure.

#### **STAFF RECOMMENDATION**

Staff recommends that the case be processed by Modified Procedure with comments due by September 21, 2011.

#### **COMMISSION DECISION**

Does the Commission wish to process this case under Modified Procedure with comments due by September 21, 2011?



Karl Klein  
Deputy Attorney General

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<sup>1</sup> Lancaster costs are currently being recovered through the PCA because the power purchase agreement became effective after base rates were established in Case No. AVU-E-09-01. Stipulation and Settlement at 10, approved by Order No. 30856.